

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6001**

**BILL NUMBER:** HB 1193

**NOTE PREPARED:** Nov 9, 2005

**BILL AMENDED:**

**SUBJECT:** Attorney's Fees in Medicaid Lien Collection Cases.

**FIRST AUTHOR:** Rep. Ulmer

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill increases the amount of attorney's fees required to be paid by the Office of Medicaid Policy and Planning in Medicaid lien collection cases.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill increases the amount required to be paid for attorneys' fees for subrogation lien recoveries. Increasing the attorneys' fees would reduce the amount of the recovery available to the state Medicaid Program and the federal government. The impact on the state General Fund for FY 2007 is estimated to range from \$778,000 to as high as \$1.1 M depending on the growth rate of recoveries and the mix of the fees actually paid.

*Background Information:* The Office of Medicaid Policy and Planning (OMPP) reports that this statutory change applies to the fees paid for attorneys in personal injury lawsuits and settlements involving Medicaid recipients. It does not apply to estate recovery or liens against real property. OMPP reported actual recovery amounts, after payment of attorney fees, of \$2.51 M in FY 2004 and \$2.96 M in FY 2005.

The bill provides that attorneys' fees due on recoveries made without initiating legal proceedings would be 25%, rather than 7.5% as under current statute. Attorney fees for recoveries made after initiating legal proceedings would be 33 1/3%, rather than the current 10%. The additional attorney expense will reduce the total amount of recoveries available to Medicaid. The Medicaid Program is jointly funded by the state and federal

governments. The state share of program expenditures and any subsequent recovery of expenditures is approximately 38%.

If recoveries grow for two years at the same rate as occurred between FY 2004 and FY 2005, or 17.9%, the reduced revenues to the state General Fund are estimated to be a minimum of \$778,000. The maximum General Fund impact for FY 2007 is estimated to be \$1.1 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Amy Davis, Legislative Liaison for FSSA.

**Fiscal Analyst:** Kathy Norris, 317-234-1360.